



Office of the
Comptroller of the Currency

COMPTROLLER'S LICENSING MANUAL

CONVERSIONS TO FEDERAL CHARTER

Contents

| | |
|---|-----------|
| Introduction..... | 1 |
| Key Policies..... | 3 |
| Decision Criteria..... | 3 |
| Conditions..... | 4 |
| Application Process..... | 8 |
| Prefiling Communications..... | 8 |
| Filing the Application..... | 8 |
| Publication..... | 8 |
| Expedited Review..... | 9 |
| Specific Requirements | 10 |
| Corporate Title..... | 10 |
| Shareholder Approval | 10 |
| Directors’ Approval..... | 10 |
| State and Federal Law Considerations..... | 11 |
| Branch Authorization..... | 12 |
| Main or Home Office Location..... | 12 |
| Activities of Subsidiaries..... | 13 |
| Nonconforming Assets and Activities..... | 13 |
| Noncontrolling Interests..... | 14 |
| Business Plan..... | 14 |
| Capital..... | 14 |
| Directors..... | 15 |
| Citizenship and Residency Requirements..... | 16 |
| Compensation Arrangements..... | 17 |
| Ownership..... | 17 |
| Background Investigations | 17 |
| Insurance..... | 17 |
| Federal Home Loan Bank Membership..... | 18 |
| Federal Reserve Membership | 18 |
| Fiduciary Powers | 19 |
| Risk Management..... | 19 |
| Conversion of Special Purpose Banks..... | 20 |
| Liquidation Account | 20 |
| Home Owners’ Loan Act Requirements..... | 21 |
| Dodd–Frank Requirements..... | 22 |
| Conversion Examination..... | 22 |
| Post-Conversion Supervisory Activities..... | 22 |
| Procedures: Standard..... | 24 |
| Prefiling..... | 24 |
| Filing the Application..... | 24 |

Organization Procedures 24

Glossary 25

References..... 27

Table of Updates Since Publication 32

Introduction

This booklet of the *Comptroller's Licensing Manual* provides guidance concerning the licensing procedures of the Office of the Comptroller of the Currency (OCC) relating to the conversion of depository institutions¹ to a national bank or a federal savings association (FSA). The requirements referred to in this guidance document reflect provisions in existing statutes and regulations. The relevant statutes and regulations are listed at the end of this booklet or referenced as applicable throughout the document.²

Under applicable federal and state law,³ certain types of depository institutions may convert to a national bank or an FSA. These types of institutions include commercial banks, state banks, state savings associations (mutual form or stock form), trust companies, and credit unions. A stock depository institution, for example, may convert to a stock FSA or national bank charter, and a mutual depository institution or a credit union may convert to a mutual FSA. Similarly, a stock FSA may convert to a national bank, and a national bank may convert to a stock FSA. For information on FSAs electing to operate as covered savings associations (CSA) under section 206 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, refer to OCC Bulletin 2019-31, "[Covered Savings Associations Implementation: Covered Savings Associations.](#)"⁴

A depository institution seeking to convert to a national bank or FSA must submit an application and obtain prior approval of the Office of the Comptroller of the Currency (OCC). In addition, a depository institution must include information in the application demonstrating compliance with applicable laws and regulations regarding the permissibility, requirements, and procedures for conversions, including any applicable stockholder or account holder approval requirements.

¹ In this booklet and in part 5, unless otherwise specifically provided, "depository institution" means any bank or savings association and includes any national bank. Refer to 12 CFR 5.3, 12 USC 1813(c), 1813(a)(1)(A), and the Glossary.

² This booklet also may include procedures that depository institutions must follow in connection with the filing of applications and notices with the OCC. Such procedures are not substantive rules that establish decision criteria. Rather, they are steps a depository institution must take to allow the OCC to assess whether a depository institution has met the substantive requirements for the application or notice in existing statutes and regulations. Consistent with the Administrative Procedure Act, the OCC may issue guidance concerning licensing that contains binding procedural steps a depository institution must take to allow the OCC to assess a bank's application or notice. See 5 USC 553(b)(A).

³ References in this booklet to "law" or "laws" include any federal or state law(s) and regulation(s), as applicable. For specific federal banking law and regulation cites, refer to the "References" section.

⁴ Refer to 12 USC 1464a and 12 CFR 101. FSAs with total consolidated assets of \$20 billion or less as of December 31, 2017, may elect national bank powers and operate as CSAs. This choice gives FSAs additional flexibility without their having to convert their charters. A CSA has the same rights and privileges as a similarly located national bank and is subject to the same duties, restrictions, penalties, liabilities, conditions, and limitations that would apply to such a national bank. For example, CSAs may engage in any activity that is permissible for a similarly located national bank to engage in as part of, or incidental to, the business of banking or explicitly authorized by statute for a national bank. Refer to 12 CFR 101.4. FSAs interested in submitting a notice should contact their supervisory office in accordance with the procedures in 12 CFR 101.3.

If the OCC approves the conversion, the institution may not commence business as a national bank or FSA until the OCC grants authorization and issues a federal charter. In addition, the OCC does not grant approval to a national bank or FSA with a parent holding company until the Board of Governors of the Federal Reserve System (Board) has approved any applications filed by the holding company.

This booklet contains policies to guide institutions on converting to a national bank or FSA and discusses exceptions to these requirements. This booklet also contains step-by-step procedures, a glossary, and a reference section. The references include applicable laws, regulations, and OCC issuances to help filers complete the application process. Users of this booklet may also want to refer to the [“General Policies and Procedures”](#) booklet of the *Comptroller’s Licensing Manual* for a discussion of the application process in general.

The process by which a national bank or FSA can convert to a nonfederal charter is discussed in the [“Termination of Federal Charter”](#) booklet of the *Comptroller’s Licensing Manual*. When it is necessary to distinguish between them, national banks and FSAs are referred to separately. Collectively, OCC-regulated banks are referred to as federal banks or banks in this booklet. Commercial banks, savings banks, savings associations, credit unions, and trust companies are collectively referred to as depository institutions. Refer to the “Glossary” section of this booklet for a comprehensive definition of “depository institution.”

Key Policies

The OCC, consistent with its chartering policy, permits a depository institution that demonstrates the ability to operate safely and soundly and in compliance with applicable laws, regulations, and policies to convert to a federal charter if the conversion complies with the National Bank Act or the Home Owners' Loan Act (HOLA), and applicable OCC regulations. Section 612 of the Dodd–Frank Wall Street Reform and Consumer Protection Act, however, imposes restrictions on conversions of certain state-chartered banks or savings associations to a federal charter.

If the conversion is not consummated within six months of the date that the OCC approved the application, the approval expires. The OCC does not grant extensions of the approval period except under extenuating circumstances. The OCC expects the conversion to occur as soon as possible after approval.

Decision Criteria

The OCC considers the following when reviewing an application for conversion to a federal charter:

- The filer's financial condition, management, and regulatory capital requirements.
- The conversion is not in contravention of filer's conformance with applicable state or federal law.
- The filer's conformance with statutory and regulatory criteria, including many of the same standards applicable to chartering a de novo federal bank.⁵ These standards include
 - maintaining a safe and sound banking system.
 - encouraging fair access to financial services by ensuring federal banks help to meet the credit needs of their communities.
 - ensuring compliance with laws and regulations.
 - promoting fair treatment of customers.
- Whether the filer has obtained all necessary regulatory and shareholder or member approvals.
- Adequacy of the filer's policies, practices, and procedures. Correction of any deficiencies may be included as conditions, as appropriate, in an approval decision.
- The filer's Community Reinvestment Act (CRA) record of performance.⁶ The OCC expects a satisfactory CRA performance record. If the filer's CRA record is less than satisfactory or CRA issues exist, but the OCC has other compelling reasons to permit the conversion, the conversion may be approved on the condition that the filer improves its CRA performance record or develops and implements an adequate plan to meet CRA

⁵ Refer to 12 USC 21 et seq. and 1464(e), and 12 CFR 5.20, 5.21, and 5.22.

⁶ The CRA generally does not apply to special purpose banks that do not perform commercial or retail banking services by granting credit to the public in the ordinary course of business. Refer to 12 CFR 25.01(c).

obligations. If the filer is not currently subject to the CRA, it must describe how CRA regulations will be met, if applicable.

For conversions to an FSA, the OCC also considers⁷

- whether the principals of the filer, such as organizers, senior executive officers, and directors, are persons of good character and responsibility.
- whether a need exists for such an FSA in the community to be served.
- whether there is a reasonable probability of the FSA’s usefulness and success.
- whether the FSA can be established without undue injury to properly conducted, existing local thrift and home financing institutions.

The OCC may deny a conversion application for a federal charter for the following reasons:

- Significant supervisory or safety and soundness concerns.
- Inadequate capital.
- Financial condition concerns.
- Significant weaknesses in management.
- Significant CRA (if applicable) or compliance concerns.
- Inconsistency with applicable law, regulation, or OCC policy.
- Attempted circumvention of pending or final supervisory action with the current regulator.⁸
- Failure to provide requested information so the OCC can make an informed decision.

Conditions

The OCC may impose conditions for approvals to protect the safety and soundness of the bank, prevent conflicts of interest, provide customer protections, ensure approval is consistent with the statutes and regulations, or provide for other supervisory or policy considerations. The OCC may apply these conditions as “regulatory conditions imposed in writing” within the meaning of 12 USC 1818. These enforceable conditions remain in effect after the effective or consummation date of an approved transaction or activity and continue until the OCC removes them.

The conditions the OCC may impose depend on the bank’s specific situation. Examples of conditions include

⁷ Refer to 12 CFR 5.23(d).

⁸ If the filer is subject to a cease-and-desist order (or other formal enforcement action) issued by, or a memorandum of understanding (or other informal enforcement action) entered into with, its financial regulatory agency, the OCC may not approve the conversion unless the OCC gives the filer’s primary federal regulatory agency written notice of the proposed conversion, including a plan to address the significant supervisory matters in a manner consistent with the safe and sound operation of the depository institution, among other requirements, pursuant to section 612 of Dodd–Frank. This requirement does not apply to conversions between national banks and FSAs, that is, one federal charter to another federal charter. Refer to the Dodd–Frank requirements section for further information.

- maintaining a specified minimum capital level or maintaining liquidity in the form of eligible assets.
- executing a written agreement between the depository institution and its holding company that provides for capital maintenance, liquidity support, or other assurances to the bank, if and when necessary.
- developing a contingency business plan agreement between the bank and the OCC, setting forth certain actions that the bank will take if it does not achieve business plan projections. The agreement could include the following requirements:
 - Obtaining additional capital.
 - Developing and implementing a corrective action plan or new satisfactory business plan to remedy plan shortfalls or failures.
 - Developing and implementing a contingency plan to sell, merge, or liquidate the bank at no cost to the Federal Deposit Insurance Corporation (FDIC).
- requiring all final third-party relationship contracts to stipulate that the performance of services provided by the third-party service provider to the bank is subject to the OCC's examination.

If a conversion examination identifies a particular weakness in an operational area of a bank that requires strengthening by improved policies, the OCC may impose the following condition:

The board of directors must adopt and have written policies and procedures concerning [the problem area] to ensure the safe and sound operation of the bank. The board must periodically review these policies and procedures and ensure the bank's compliance.

If the OCC has supervisory concerns regarding a filer that an external audit could address or monitor, the OCC may impose the following condition:

Before conversion, the bank's directors must engage an independent, external auditor to perform an audit according to generally accepted auditing standards. The audit must be of sufficient scope to enable the auditor to render an opinion on the bank's (or consolidated holding company's) financial statements. The audit period must begin on the date that the institution converts to [a national bank or an FSA] and may end on any calendar quarter-end no later than 12 months after the conversion. The audit will be performed annually for at least [number] years.

If the filer previously has converted from a mutual to a stock institution, or its parent holding company has converted from a mutual to a stock holding company, the OCC may consider imposing conditions to ensure compliance with relevant regulations governing those transactions. The language of these conditions would differ depending on the situation and the regulations involved. A condition to maintain a liquidation account or other conditions dealing with regulations governing conversions from mutual to stock form conversions would be included in this category.⁹

⁹ Refer to 12 CFR 192.

If the OCC believes there is heightened supervisory risk after a conversion, the OCC may impose the following condition:

The bank (i) shall give the [appropriate OCC supervisory office] at least sixty (60) days prior written notice of the bank's intent to significantly deviate or change from its business plan or operations and (ii) shall obtain the OCC's written determination of no objection before the bank engages in any significant deviation or change from its business plan or operations.¹⁰ The OCC may impose additional conditions it deems appropriate in a written determination of no objection to a bank's notice.

The OCC considers the imposition of a prior notice condition for a significant deviation from the depository institution's business plan on a case-by-case basis. The financial condition of the depository institution and whether the depository institution or sponsor plans to change its business plan or operations are key considerations in assessing the risks of converting to a federal charter. The OCC may impose the above condition if the depository institution has financial weaknesses, management plans to make significant changes in the business plan or operations of the depository institution, or the OCC believes that the depository institution is vulnerable to a potentially significant adverse change in the short or intermediate term.

For purposes of this condition, a significant deviation or change is defined as a material variance from the bank's business plan or operations, or introduction of any new product, service, or activity, or change in market that was not part of the approved business plan, that occurs after the proposed transaction has been consummated. Significant deviations may include, but are not limited to, deviations in the bank's

- projected growth, such as planning significant growth in a product or service.
- strategy or philosophy, such as significantly reducing the emphasis on its targeted niche (e.g., small business lending) in favor of significantly expanding another area (e.g., funding large commercial real estate projects).
- lines of business, such as initiating a new program for subprime lending, automobile lending, credit cards, or transactional services that elevate the bank's risk profile.
- funding sources, such as shifting from core deposits to brokered deposits.
- scope of activities, such as entering new, untested markets.
- stock benefit plans, including the introduction of plans that the OCC did not previously review during the chartering process.
- relationship with a parent company or affiliate, such as a shift to significant reliance on a parent or affiliate as a funding source or provider of back-office support.

Even though a filer may disclose its plan to change the bank's operations in the application, the heightened supervisory risk may nonetheless warrant imposing this condition because the bank may subsequently fail to accomplish the original plan's objectives or the bank may subsequently deviate from the plan. The condition also may be appropriate if the filer discloses future plans to offer a new product or service, or enter a new market, but no formal

¹⁰ If the deviation from the business plan is the subject of an application filed with the OCC, the OCC does not require any further notice to the supervisory office.

plans exist at the time that the application is filed, and implementation of these plans would occur after OCC approval.

Deviations in financial performance alone are not significant deviations under this condition. The OCC, however, still may consider the underlying reasons for the deviation in financial performance to be a significant deviation.

Application Process

Prefiling Communications

Before submitting an application for conversion, the OCC recommends the filer consult with the appropriate OCC licensing office to discuss the application process, the possible need for a conversion examination (for nonfederal banks), the need for a review of policies and procedures, any unusual or complex issues, whether a legal opinion needs to be included with the filing, and the benefits of scheduling a prefiling meeting. If a prefiling meeting is appropriate, it is usually held in the OCC district office where the application will be filed. At the filer's request, the meeting may be held at another location or by teleconference.

Filing the Application

A depository institution that wishes to convert to a federal bank submits to the appropriate OCC district licensing office a [conversion application](#), signed by the depository institution's president or other authorized officer.

The application requires information on the institution's status and condition, such as reports of condition and income and audited financial statements; an opinion on the legality of the conversion (unless the requirement is waived by the OCC); and other information. When an insured depository institution converts to a federal bank, it does not need to reapply for FDIC insurance for the converted entity. A filing with the Board, however, may be necessary. For example, when a stock FSA owned by a savings and loan holding company seeks to convert to a national bank, the holding company must file with the Board to become a bank holding company. Likewise, a Board filing may also be required when a bank owned by a holding company seeks to convert to an FSA (other than an FSA that functions solely in a trust or fiduciary capacity as described in section 2(c)(2)(D) of the Bank Holding Company Act). In such cases, the bank's parent holding company must file with the Board to become a savings and loan holding company.

Publication

Generally, a public notice under 12 CFR 5.8 does not apply to a conversion filing unless the OCC determines that the application presents a significant or novel policy, supervisory, or legal issue for which a public notice is necessary.

A public notice may be required, however, when a conversion application is accompanied by another application that requires a public notice under 12 CFR 5.8. In this instance, a public notice describing the entire transaction may be necessary to ensure that the public has a full understanding of the transaction. If a notice is required, the depository institution must publish notice of the proposed conversion in a newspaper of general circulation in the community or communities in which the institution proposes to engage in business. The OCC provides specific requirements for the notice of publication. Refer to the [“Public Notice and Comments”](#) booklet of the *Comptroller's Licensing Manual* for further information.

Expedited Review

Applications to convert a federal charter to another form of federal charter (i.e., existing national banks and FSAs) are eligible for expedited review under applicable regulations.¹¹ Applications by nonfederally chartered depository institutions to convert to federal charters are not eligible for expedited review.

If the OCC processes an application under expedited time frames, the agency deems the application automatically approved as of the 45th day after the filing is received by the appropriate licensing office. A filing or an adverse public comment regarding the filing, however, may present significant supervisory, CRA (if applicable), or compliance concerns, or raise significant legal or policy issues. In these situations, the OCC notifies the filer before that date that the filing is not eligible for expedited review.

¹¹ Refer to 12 CFR 5.23(d)(4) and 5.24(h).

Specific Requirements

Corporate Title

If the resulting institution is a national bank, the bank's title must include the word "national."¹² The word "national" must be spelled out on certain legal documents, such as the bank's organization certificate and articles of association.¹³ For conversion to either a national bank or FSA, the proposed title may not misrepresent the nature of the national bank or FSA or the services it offers.

Shareholder Approval

A state bank converting to a national bank must have the approval of shareholders who together own not less than 51 percent of the institution's capital stock.¹⁴ If applicable state law requires a greater percentage, shareholders who together own this greater percentage must approve the proposed conversion. Under the National Bank Act, if the institution's charter or bylaws require a more stringent approval threshold, the institution must adhere to this threshold. If the converting state bank's holding company is the sole shareholder, the holding company may authorize the conversion through a board resolution. All holding companies, however, must follow state law requirements. For a stock FSA converting to a national bank, any applicable stockholder or account holder approval is required.¹⁵

For a state institution converting to an FSA, state law or the institution's charter, as applicable, governs the required shareholder or member approval. For a national bank converting to an FSA, shareholders who together own at least two-thirds of each class of the bank's capital stock must approve the conversion.¹⁶

Directors' Approval

National Banks

Conversion to a national bank requires the approval of the majority of the institution's board of directors.¹⁷ A majority of the directors must execute the [organization certificate](#), which states that shareholders who together own at least 51 percent of the capital stock, or a greater

¹² Refer to 12 USC 22 and 35.

¹³ Refer to 12 USC 22.

¹⁴ Refer to 12 USC 35.

¹⁵ Refer to 12 CFR 5.24(f).

¹⁶ Refer to 12 USC 214a and 12 CFR 5.23(f).

¹⁷ Refer to 12 USC 35.

amount if required by applicable state law, have authorized the directors to execute the organization certificate and [articles of association](#), and to change or convert the depository institution to a national bank. Refer to [Authority for Conversion to National Bank](#).

In addition, a majority of the board must sign the articles of association, with a minimum of five signatures required. The directors, after executing the articles of association and the organization certificate, are authorized and have the power to execute all other documents and do what may be necessary to complete the conversion to a national bank.

An original version of the organization certificate and a copy of the signed articles of association should be submitted to the appropriate licensing office with the conversion application. The organization certificate must be notarized. The same people should execute the organization certificate and the articles of association. The converting depository institution's board should adopt bylaws appropriate for the resulting charter.

FSAAs

Conversion to an FSA requires the approval of a majority of the institution's board of directors. The secretary of the institution must certify that a majority of the bank's board has resolved to apply for conversion. Refer to [Certification of Application for Conversion to a Federal Savings Association](#). A proposed FSA may not commence business as an FSA until the OCC grants authorization and issues a charter. Institutions converting to an FSA must adopt bylaws consistent with the requirements of 12 CFR 5.21 or 5.22.

State and Federal Law Considerations

A filer submitting an application to convert a depository institution to a federal bank must include with the application, unless the OCC otherwise advises, an opinion of counsel stating that the conversion does not contravene applicable state or federal law. If the proposal presents unusual legal issues, a comprehensive opinion of counsel may be required. These issues may include

- noncompliance with state law.
- whether a state-chartered institution converting to a national bank meets the definition of a "state bank" as that term is defined for the purposes of 12 USC 35 and 12 CFR 5.24.
- unusual ownership structure or if the institution is not a stock-form depository institution (mainly refers to credit unions converting to FSAs).
- branch retention.
- nonconforming asset retention, including nonconforming subsidiaries.
- main office or home office location.
- interstate operations.
- whether the filer wishes that the resulting institution exercise fiduciary powers.
- noncompliance with residency or citizenship requirements (national banks only).

The OCC reserves the right to require an opinion of counsel if it determines one is necessary.

Branch Authorization

A converting depository institution may retain existing branches as a national bank or FSA if such retention is consistent with applicable law. The filer must identify all branches that it will retain following the conversion.

All approved but unopened branches must be authorized to open in accordance with OCC policy and applicable regulations (12 CFR 5.30 and 5.31).¹⁸ The application must include approval documents for these branches from the state banking department and either the FDIC or FRB, as appropriate. Any facilities that would be identified as branches under national bank or FSA laws (brick and mortar and nontraditional branches) but are not currently considered branches under state law must also be authorized.

The filer should certify that the resulting branch structure complies with applicable state and federal branching laws and should list the requirements of those laws in the application. For conversions to national banks, the certification should include consideration of compliance with any applicable geographic limitations and any quantitative and qualitative factors of state law. Refer to the [“Branches and Relocations”](#) booklet of the *Comptroller’s Licensing Manual*. This requirement for certification of state law compliance does not apply to institutions converting to FSAs, which must certify compliance with 12 USC 1464(r) for any interstate branches, if applicable.

Provided the branches are legally permissible, if the OCC approves the conversion, the approval will include authorization for the converting depository institution’s existing branches, any approved but unopened branches, and any branches newly approved by the OCC. For those branches that are not opened at consummation, the institution must notify the OCC of the opening dates no later than 10 days after the openings, so the OCC may complete its records. The OCC allows the institution 18 months from the conversion approval date to open these approved branches if not inconsistent with applicable law. The branch approvals and authorizations automatically terminate for any branches not opened within that time period, unless the OCC grants an extension.

Main or Home Office Location

Under certain circumstances and as part of the conversion, a filer may wish to designate that the institution’s main or home office of the resulting national bank or FSA, respectively, will be at a site other than the current main or home office site of the institution being converted. In such cases, the filer should consult with the OCC to determine whether such designation is permissible. If the main or home office relocation occurs before conversion, the OCC has no jurisdiction (unless the depository institution is a national bank or FSA), but it may affect the OCC’s evaluation of the application. If the relocation occurs immediately after the conversion, an application with the OCC to relocate the office may be required. For

¹⁸ Approved but unopened branches of a converting depository institution are branches that have been legally approved by the applicant’s current regulators, but have not opened at the time of the effective date of the conversion. The OCC generally honors these branch approvals without requiring new branch applications with the OCC, provided the branches remain legal after conversion.

institutions converting to national banks, designations of the main office location (city or village, county and state) must be reflected in the organization certificate,¹⁹ and generally are stated in the articles of association. For institutions converting to FSAs, such designations must be reflected in the federal mutual or stock charters.²⁰

Activities of Subsidiaries

A filer seeking to convert to a federal bank must identify all subsidiaries, service corporation investments, bank service company investments, and other equity investments that it will retain following the conversion. The conversion application should include a complete description of the activities and all other information that would be required for a national bank or FSA to establish or acquire an operating, statutory, or financial subsidiary or other investment under the notice, certification, or application provisions of applicable laws and regulations.²¹

The OCC analyzes the permissibility of the activities and whether the performance of such activities by federal banks is consistent with the safe and sound operation of the bank and maintenance of a safe and sound banking system. The OCC requests a legal analysis if the permissibility of the subsidiary's activities or of the equity investment is unclear. Refer to the [“Subsidiaries and Equity Investments”](#) booklet of the *Comptroller's Licensing Manual* for specific information. The OCC's decision on the operating, statutory, or financial subsidiary's activities and on the permissibility of other equity investments is included in the conversion decision as applicable. If the OCC approves the conversion, but objects to an operating, statutory, or financial subsidiary, or objects to an equity investment, it instructs the filer to divest the subsidiary or equity investment before consummation or within a specific period of time as may be necessary to enable the nonconforming subsidiary to be resolved without undue hardship (generally two years).

Nonconforming Assets and Activities

Temporary Retention

The OCC may give a converting depository institution a reasonable period of time, generally not to exceed two years after conversion, to divest or conform any nonconforming assets or activities, including nonconforming subsidiaries, not being permanently retained.²² A reasonable period of time is given so that the converting depository institution may take the necessary action without undue hardship. The OCC considers whether any conditions are appropriate in granting permission to retain nonconforming assets or activities, and the carrying value of the assets.

¹⁹ Refer to 12 USC 22.

²⁰ Refer to 12 CFR 5.21 and 5.22.

²¹ Refer to 12 CFR 1, 5.34, 5.35, 5.36, 5.38, 5.39, 5.58, and 5.59.

²² Refer to 12 CFR 5.23(d)(2)(iii) and 5.24(e)(3).

If the filer wishes to divest or conform nonconforming assets or activities, the application must identify and provide information regarding the assets or activities. In addition, the application should describe the plan to divest or conform those assets or activities and should outline the period of time needed.

Permanent Retention

In rare circumstances, the OCC may permit a state depository institution converting to a national bank to permanently retain assets it holds that otherwise would be nonconforming.²³ The filer must identify all nonconforming assets, including nonconforming subsidiaries, that it holds and request prior approval to permanently retain them. Full details regarding the assets should be provided, including a description, when the assets were acquired, and their value. The filer should submit a legal opinion describing how the nonconforming assets comply with laws that pertain to the pre-converted, state-chartered institution. An approval to permanently retain the assets may be subject to conditions and an OCC determination of the carrying value of the retained assets.

Noncontrolling Interests

The OCC may permit a converting depository institution to permanently or temporarily retain noncontrolling interests held in other entities and other equity investments if such retention is consistent with applicable law. The filer must identify all noncontrolling interests that it will retain after the conversion. The filer should identify whether it desires permanent or temporary retention, whether conformance or divestiture is necessary, and any time frame necessary for conformance or divestiture. In addition, information must be provided that would normally be provided if applying to establish or acquire a noncontrolling interest pursuant to 12 CFR 5.36(e) or 5.58.

Business Plan

The depository institution should include a [business plan](#) in the application if it has been chartered less than three years; if there will be a significant change in the institution's operations, strategy, market area, funding, loan composition, portfolio, products, or services after the conversion; or if the OCC deems one appropriate. If the OCC does not require a business plan, the depository institution should submit a representation that no significant changes will be made to the institution's operations for a period of three years after conversion.

Capital

Federal banks are subject to certain statutory and regulatory minimum capital requirements. Institutions considering conversions should refer to 12 CFR 3 for the required minimal acceptable capital ratios for national banks and FSAs, and 12 CFR 6, which specifies

²³ Refer to 12 USC 35. There is no similar statutory provision for FSAs.

supervisory actions restricting the activities of federal banks categorized as undercapitalized, significantly undercapitalized, or critically undercapitalized.

The adequacy of the capital structure should be discussed in the application relative to internal and external risks; operational and financial assumptions, including technology, branching, and operating expenses; and any off-balance-sheet activities.

For institutions converting to national banks, capital stock may be divided into shares of no more than \$100 each, as set forth in 12 USC 52, or a lesser amount as provided in the articles of association. Common stock may be par value stock or no par stock.

Federal mutual savings associations issue no capital stock and therefore have no stockholders. Mutual savings associations build capital almost exclusively through retained earnings.

For some institutions, such as trust banks and credit card banks among others, additional considerations are involved in assessing the adequacy of the capital structure. Filers involving a conversion of such an institution will be expected to propose a minimum level of capital. For trust banks, refer to the “Capital and Liquidity Requirements” and “Additional Considerations” subsections of the “Trust Banks or Trust Companies” section of the “Charters” booklet of the *Comptroller’s Licensing Manual* and to OCC Bulletin 2007-21, [“Supervision of National Trust Banks: Revised Guidance: Capital and Liquidity”](#) for further guidance on developing a proposed minimum level of capital.

Directors

Depository institution directors may continue to be directors after the conversion until successors are elected or appointed in accordance with applicable provisions of law, the institution’s articles of association or charter, and its bylaws.²⁴

A national bank’s board must consist of at least five directors. If a national bank’s board consists of more than 25 directors, prior notice must be provided to the OCC, and the OCC must approve an exemption to the 25-director limit.²⁵ Every national bank director must own qualifying shares of the capital stock upon conversion to a national bank in compliance with 12 USC 72 and 12 CFR 7.2005. Directors must also submit to the OCC an original signed and notarized oath (either [individually or jointly](#)).²⁶ In addition, national banks may adopt bylaws that provide for staggered terms for directors.²⁷ National bank directors may hold

²⁴ Refer to 12 CFR 5.23(g) and 5.24(i).

²⁵ Refer to 12 USC 71a.

²⁶ Refer to 12 USC 73.

²⁷ Refer to 12 USC 71.

office for no more than three years, and thereafter must be reelected.²⁸ Furthermore, the person serving as, or in the function of, president of a national bank, regardless of title, must be a member of the board. A director other than the person serving as, or in the function of, president may be elected to chair the board.²⁹

An FSA's board must consist of no fewer than five and no more than 15 directors, as set by the association's bylaws, unless otherwise approved by the OCC.³⁰ Directors of mutual or stock FSAs may be elected for a one- to three-year term until their successors are elected and qualified. Bylaws may be adopted to provide for staggered terms.³¹ Directors of a mutual FSA are required to be members of the association; directors of a stock FSA, however, need not be stockholders of the association unless the bylaws so require. In addition, there is no requirement for an FSA's president to be a board member unless the bylaws so require. Each director must also submit to the OCC an original signed and notarized [oath](#).

Citizenship and Residency Requirements

All national bank directors must comply with the residency and citizenship requirements set forth in 12 USC 72. The law requires that every director of a national bank be a citizen of the United States for the entire term of service. If the converting depository institution wishes to elect or appoint one or more non-U.S. citizens to its board of directors, the institution may request a waiver of the citizenship requirement from the OCC. The OCC may waive the requirement for no more than a minority of the total number of directors of any national bank. Additional information on waivers is in the [“National Bank Director Waivers”](#) booklet of the *Comptroller's Licensing Manual*.

The law also requires that a majority of a national bank's directors reside in the state where the bank is located (that is, the state in which the bank has its main office or branches) or within 100 miles of its main office for at least one year immediately preceding their election. In addition, directors must maintain their state residency or reside within 100 miles of the location of the main office during their term in office. The OCC may waive the residency requirement in certain circumstances upon request. Additional information on waivers is in the [“National Bank Director Waivers”](#) booklet of the *Comptroller's Licensing Manual*.

An FSA's board of directors is not subject to citizenship and residency requirements. The composition of the board, however, is subject to the following requirements of 12 CFR 163.33:

- A majority of the directors must not be salaried officers or employees of the savings association or of any subsidiary thereof.

²⁸ Refer to 12 USC 71.

²⁹ Refer to 12 USC 76 and 12 CFR 7.2012.

³⁰ Refer to 12 CFR 5.21 and 5.22.

³¹ Refer to 12 CFR 5.21(j)(2)(viii) and 5.22(l)(2).

- Not more than two of the directors may be members of the same immediate family.
- Not more than one director may be an attorney with a particular law firm.

Compensation Arrangements

The filer should describe all outstanding and proposed stock awards, options, warrants, or other similar stock-based compensation plans offered as compensation to the depository institution's directors, executive officers, principal shareholders, and other insiders. Such disclosure should be made regardless of whether a compensation arrangement is at the bank or holding company level.

Ownership

Filers must submit in the application a list of individuals, directors, and shareholders who directly or indirectly or acting in concert with one or more persons or companies, or together with members of their immediate family, do or will own, control, or hold 10 percent or more of the institution's voting stock, as applicable. Depending on the circumstances, persons who control the converting depository institution under the definition in 12 CFR 5.50 may be required to file a change in bank control notice. Additional information on the requirements of 12 CFR 5.50 may be found in the ["Change in Bank Control"](#) booklet of the *Comptroller's Licensing Manual*.

Background Investigations

In addition to the above requirements, filers must submit a list of directors and senior executive officers, as defined in 12 CFR 5.51, of the converting institution. Filers must indicate any positions and offices currently held, or to be held, by these individuals with the institution, the institution's holding company, or its affiliates. These individuals may be required to submit an [Interagency Biographical and Financial Report](#) and fingerprints. The OCC reserves the right to require submission of either or both sections of the report. As appropriate, the OCC may conduct background investigations on certain directors, executive officers, or principal shareholders. Additional information on the background check process is in the ["Background Investigations"](#) booklet of the *Comptroller's Licensing Manual*.

Insurance

Fidelity Bond

The federal bank's board of directors is responsible for the adequacy of the fidelity bond and other insurance needs.

Before a federal bank opens for business, its board must assess the four factors listed in 12 CFR 7.2013 and obtain adequate fidelity bond coverage. The four factors are

- internal auditing safeguards employed,

- number of employees,
- amount of deposit liabilities, and
- amount of cash and securities normally held by the bank.

Credit Insurance

Pursuant to 12 USC 24(Seventh) and 12 CFR 2, national banks may underwrite, reinsure, or act as agent in the sale of credit life, accident, disability, and health (credit-related) insurance products in connection with consumer and mortgage loans made by the national bank and affiliated and unaffiliated lenders without geographic restriction. National banks that sell credit life insurance to loan customers must credit all income and handle bonus and incentive plans and bank compensation related to that activity as described in 12 CFR 2.³² The institution's directors should select a means of marketing the insurance to accomplish that objective. The directors are responsible for ensuring that the program complies with all federal and state banking and applicable insurance laws.

FSAs may sell credit-related insurance on an agency basis without geographic restriction. FSAs may also underwrite or reinsure credit insurance through operating subsidiaries and, with OCC approval, through service corporations.

Federal Home Loan Bank Membership

National banks and FSAs may be members of the Federal Home Loan Bank (FHLB) system but are not required to be members. If the converting depository institution is a member of the FHLB system and at any time ceases to be a member, it must use its best efforts, including contacting the appropriate FHLB or the Federal Housing Finance Agency, to dispose of any stock in the FHLB. The OCC will consider the stock a nonconforming asset if the institution is not a member of the FHLB system. Once membership has been terminated, the FHLB has discretion and may also require that any FHLB advances be repaid at that time.

Federal Reserve Membership

National banks must be members of the Federal Reserve System.³³ If not already a member, a depository institution converting to a national bank must also apply to purchase the required amount of stock in the appropriate Federal Reserve Bank.³⁴

³² Refer also to OCC Bulletin 2010-24, [“Interagency Guidance on Sound Incentive Compensation Policies.”](#)

³³ Refer to 12 USC 222.

³⁴ Refer to 12 CFR 209.

FSAs cannot be members of the Federal Reserve System.³⁵ They may, however, avail themselves of services provided by the Federal Reserve Banks.

Fiduciary Powers

An institution seeking to convert to a national bank or FSA and exercise fiduciary powers must request and obtain prior OCC approval. This requirement applies uniformly to all depository institutions seeking to expand or exercise fiduciary powers regardless of whether they currently exercise them. If the converting depository institution requests approval to exercise fiduciary powers, the institution must also comply with the procedures in 12 CFR 5.26. Refer to the [“Fiduciary Powers”](#) booklet of the *Comptroller’s Licensing Manual*. A separate trust application is not required, but a filer should include a request for approval or expansion of fiduciary powers as part of its conversion application that includes all relevant information.

Risk Management

A federal bank should have an internal audit system, internal controls, and information systems that are appropriate for the institution’s size, complexity, and geographic diversity, and the nature, scope, and risk of the institution’s activities.³⁶ The internal audit function should provide for adequate monitoring of the institution’s internal controls. Some federal banks may elect to adopt a system that incorporates independent reviews instead of dedicated audit staff. Refer to the [“Internal and External Audits”](#) booklet of the *Comptroller’s Handbook*. Federal banks should conduct their internal audit activities, including outsourced internal audit activities, in a safe and sound manner. For additional information, federal banks may refer to OCC Bulletin 2003-12, [“Interagency Policy Statement on Internal Audit and Internal Audit Outsourcing.”](#) Bank staff responsible for implementing sound risk management systems perform those duties independent of the bank’s risk-taking activities.

All insured depository institutions with \$500 million or more in consolidated total assets are required by 12 CFR 363 to have an independent external audit of their financial statements. In addition, under 12 CFR 11, federal banks registered under the Securities Exchange Act of 1934 are required to have external audits. Federal banks with less than \$500 million in total assets should refer to OCC Bulletin 1999-37, [“Interagency Policy Statement on External Auditing Programs.”](#) This policy statement reiterates the long-standing OCC philosophy of encouraging all federal banks to have independent external audits of their operations and financial records.

In addition, the OCC has issued enforceable final guidelines in 12 CFR 30, appendix D, that establish minimum standards for the design and implementation of a risk governance framework for large insured banks with more than \$50 billion in average total consolidated assets. These guidelines also establish minimum standards for an institution’s board of

³⁵ Refer to 12 USC 321.

³⁶ Refer to 12 CFR 30, appendix A.

directors in overseeing the framework. Refer to appendix C of the [“Charters”](#) booklet of the *Comptroller’s Licensing Manual* for further information on risk management.

Conversion of Special Purpose Banks

Special purpose depository institutions may convert to federally chartered banks. These banks offer limited products or services, serve a limited customer base or narrowly defined market niche, incorporate nontraditional elements, or have a narrowly focused business plan. Special purpose banks must meet the same statutory and regulatory requirements as other federally chartered banks unless applicable laws or regulations provide otherwise. The OCC requires each special purpose bank to indicate the nature of its operations in its articles of association or charter.

Filers should tailor the contents of the conversion application consistent with the nature of the depository institution’s special purpose line of business. The OCC’s review of a special purpose proposal may exceed traditional processing time frames because of the time needed to evaluate the supervisory risks associated with these proposals. Refer to the [“Charters”](#) booklet of the *Comptroller’s Licensing Manual* for a discussion of the types of special purpose banks, the supervisory risk associated with each, and a summary of the OCC’s expectations and requirements for these banks. Filers also should refer to OCC Bulletin 2019-39, [“Community Reinvestment Act: Guidelines for Requesting Approval of a Strategic Plan,”](#) and OCC Bulletin 2019-40, [“Community Reinvestment Act: Guidelines for Requesting Designation as a Wholesale, Limited Purpose, or Special Purpose Bank.”](#)

Liquidation Account

For purposes of this booklet, when a depository institution with an existing liquidation account converts to a federal charter, the resulting national bank or FSA is expected to maintain the liquidation account. If it does not, the conversion would be considered a liquidation for purposes of the liquidation account.

A mutual savings association undertaking a mutual-to-stock conversion is required to create a liquidation account in a dollar amount equal to its net worth as of the latest practicable date before the conversion. Each eligible account holder and supplemental eligible account holder has a pro rata inchoate interest in the liquidation account. This interest cannot increase but is reduced by any subsequent decrease in the person’s account balance as of the end of any subsequent fiscal year of the savings association. The interest is eliminated if the account holder closes the account. The liquidation account is recalculated on an annual (fiscal year) basis. Thus, the liquidation account created in the conversion preserves the liquidation rights of account holders to the net worth of the mutual association existing at the time of conversion.

In the event of liquidation, eligible and supplemental eligible account holders who hold accounts from the time of the conversion until liquidation are entitled to a priority distribution from the institution’s net worth, after creditors, but before any distributions are made to stockholders. The liquidation account is not recorded in the financial statements of

the converted institution and does not otherwise restrict the use of the capital of the converted association. The liquidation account must be disclosed in the footnotes to the financial statements.

If the converted institution subsequently is involved in a merger or acquisition, the resulting depository institution must assume the liquidation account. For example, if a stock FSA (acquiring association) acquires a stock FSA that was originally a mutual savings association (target association), the acquiring association must assume the target association's liquidation account. In the event the acquiring association engages in a complete liquidation, the target association's eligible and supplemental eligible account holders who continue to have deposits at the acquiring association would be entitled to a distribution (pursuant to the distribution priorities).

Home Owners' Loan Act Requirements

An institution that converts to an FSA is required to be a qualified thrift lender (QTL) by HOLA (12 USC 1467a(m)). The statute permits the FSA to comply with the QTL requirements in 12 USC 1467a(m) or the Internal Revenue Service tax code domestic building and loan association (DBLA) test in 26 USC 7701(a)(19) and 26 CFR 301.7701-13A. An FSA may comply with either test and may switch from one test to the other. An FSA must meet the QTL test nine out of every 12 months; the DBLA test is an annual measure. If the institution converting to an FSA does not meet the QTL test, the filer must include a plan to achieve compliance within a reasonable time and a request for an exception from the OCC.

Under the QTL test, an FSA must hold 65 percent of its portfolio as qualified thrift investments (QTI). There are two categories of QTI: assets that are includable without limit and assets that are limited to 20 percent of portfolio assets.³⁷

In addition to QTL requirements, HOLA imposes requirements regarding the composition of an FSA's assets.³⁸ Under HOLA and its implementing regulations, there is no limit on the residential home loans that an FSA can make, invest in, or purchase. Commercial loans, however, are limited to 20 percent of total assets, provided that amounts in excess of 10 percent of total assets may be used only for small business loans. Nonresidential real estate loans are limited to 400 percent of an FSA's capital, while consumer loans (including commercial paper and corporate debt securities) are limited to 35 percent of total assets.³⁹

National banks are not required to comply with the QTL or DBLA tests. There are no limitations by law or regulation on the aggregate amount of mortgage, consumer, or

³⁷ Refer to 12 USC 1467a(m) and the ["Qualified Thrift Lender"](#) booklet of the *Comptroller's Handbook* for further information on QTL.

³⁸ Refer to 12 USC 1464(c) and 12 CFR 160.

³⁹ Refer to 12 USC 1464(c) and 12 CFR 160 for further information on FSA loan limits.

commercial loans a national bank may hold; national banks, however, should exercise prudent risk management of concentrations of credit.

Dodd–Frank Requirements

State-chartered banks or savings associations converting to federal banks are subject to section 612 of Dodd–Frank. Section 612 imposes restrictions on such conversions while the institution is subject to a cease-and-desist order (or other enforcement order) issued by, or a memorandum of understanding entered into with, its current federal banking agency or state bank supervisor with respect to a significant supervisory matter. For state banks and state savings associations, the conversion is also prohibited if the institution is subject to a final enforcement action by a state attorney general. The OCC rarely grants exceptions and only in cases in which the institution has already substantially addressed the matters in the enforcement action or there are substantial changes in circumstances (e.g., new ownership or new management). Refer to OCC Bulletin 2012-39, [“Interagency Statement on Section 612 of the Dodd–Frank Act: Restrictions on Conversions of Troubled Banks.”](#)

Conversion Examination

The OCC usually conducts a conversion examination to obtain relevant information about the condition of the institution and its qualifications to convert before making a decision. If the OCC schedules a conversion examination, the OCC may assess a separate fee. The OCC has the authority to waive the examination fee.

Provided the OCC is approving the application and an examination fee was paid (or waived), the licensing office may provide a copy of the examination findings to the filer with the conversion decision, if warranted. The report of findings includes a clear warning against improper use or disclosure of the report.⁴⁰ Management is responsible for correcting deficient practices found in the conversion examination as directed by the OCC if the conversion is consummated. The OCC may share the information obtained in the examination with institution-affiliated parties and other regulators.

Post-Conversion Supervisory Activities

The OCC strives to deliver to federal banks high-quality bank supervision focused on the accurate evaluation and management of risks. Supervisory efforts are directed toward identifying material or emerging concerns and problems and ensuring that they are corrected.

The OCC supervises its federal banks through continuous on- and off-site supervisory activities and periodic monitoring. These activities help the OCC determine the condition of individual banks and the overall stability of the federal banking system. Details regarding the supervision of federal banks are provided in the [“Bank Supervision Process,”](#) [“Community Bank Supervision,”](#) and [“Large Bank Supervision”](#) booklets of the *Comptroller’s Handbook*.

⁴⁰ Refer to 12 CFR 4.36(d)

Examiners also perform a periodic business plan analysis for those banks that were required to submit a business plan during the conversion process.

Examinations

All converted insured federal depository institutions, including converted insured trust banks, must receive full-scope examinations as prescribed by 12 USC 1820(d). Generally, an insured converted national bank or FSA must receive a full-scope examination within 12 months of the date of its last full-scope examination conducted by a federal banking agency or its last examination by its state regulator, if the examination met Federal Financial Institutions Examination Council guidelines. The time period may be extended to 18 months from its last examination if the bank meets the standard statutory criteria for such an extension. Qualifying well-capitalized and well-managed national banks and FSAs with less than \$3 billion in total assets may be eligible for an 18-month examination cycle. The timing of the first full-scope examination may be influenced by whether a conversion examination was performed; if increased risks, concerns, or weaknesses are identified; or if the converted bank is pursuing a nontraditional strategy.

A converted uninsured trust bank or an uninsured trust bank formed exclusively from the business existing in a national or state-chartered bank normally receives a full-scope examination within 12 months of the date of its last full-scope examination conducted by a federal banking agency. The time period may be extended to 18 months from its last examination if the bank meets the standard criteria for such an extension.

Procedures: Standard

Prefiling

1. (Recommended) Request a prefiling meeting to discuss the proposal, discuss the factors that may influence the OCC's review of the application, and review the procedures for conversion to a national bank or FSA.

Filing the Application

2. Submit a complete [conversion application](#), signed by the institution's president or other duly authorized officer, to the appropriate licensing office.

Organization Procedures

3. Identify any material changes to the filing and provide notice of such changes to the licensing office.
4. After receiving OCC approval, complete all steps required to convert. Refer to the completion certifications for conversions to a [national bank](#) or [FSA](#) and other applicable documents.
5. Apply for and receive any other required regulatory approvals, and provide copies of those approvals to the OCC.
6. If a conversion examination was conducted, verify that identified deficiencies have been corrected.
7. Submit the completion certifications (referenced above) to the licensing office certifying the conversion's completion and attesting to the satisfactory resolution of any conditions imposed in the approval letter.

Glossary

Depository institution: Generally means any commercial bank, either nationally chartered or state chartered (including a private bank), a savings bank, a trust company, a savings and loan association, a building and loan association, a homestead association, a cooperative bank, or an industrial bank or credit union chartered in the United States and having its principal office located in the United States. This definition includes national banks and FSAs. For purposes of this booklet, mutual and stock forms of depository institutions may apply to convert to a federal mutual savings association or federal stock savings association, respectively. The OCC allows federal credit unions to convert to federal mutual savings associations. A state bank, a stock state savings association, or a federal stock savings association may convert to a national bank.

Eligible bank or eligible savings association: A national bank or FSA that

- is well capitalized as defined at 12 CFR 6.4(b)(1).
- has a composite CAMELS composite rating of 1 or 2.
- has a satisfactory or outstanding CRA rating, if applicable.⁴¹
- has a consumer compliance rating of 1 or 2 under the Uniform Interagency Consumer Compliance Rating System.
- is not subject to a cease-and-desist order, consent order, formal written agreement, or prompt corrective action directive or, if subject to any such order, agreement, or directive, is informed in writing by the OCC that the bank may be treated as an “eligible bank.”

Eligible depository institution: A national bank or FSA that meets the criteria for an “eligible bank” or “eligible savings association” and is FDIC-insured.

Fiduciary powers: The authority that the OCC permits a national bank or FSA to exercise pursuant to 12 USC 92a and 1464(n), respectively. In the state in which it acts in a fiduciary capacity, a national bank or FSA may conduct fiduciary activities in the capacity of trustee, executor, administrator, or guardian, or in any other fiduciary capacity the state permits for its state banks, trust companies, or other corporations that compete with them in the state.⁴² If the national bank or FSA conducts fiduciary activities in more than one state, the bank may designate from among those states the state used for section 92a or 1464(n) purposes, respectively.

Savings association or savings bank: Includes a mutual or stock-owned state savings association and a savings and loan association.

⁴¹ The CRA does not apply to an uninsured bank or a special purpose bank or savings association as described in 12 CFR 25.01(c), as applicable, or a credit union.

⁴² Refer to 12 CFR 9.7(d) and 150.135.

State bank: This term includes any bank, banking association, trust company, savings bank (other than a mutual savings bank), or other banking institution engaged in the business of receiving deposits and incorporated under the laws of any state or any territory of the United States, Puerto Rico, or the Virgin Islands, or operating under the code of law for the District of Columbia. Mutual savings banks are specifically excluded from this definition by 12 USC 214(a). A mutual savings bank or any other “state bank,” as defined above, that has a mutual form of ownership may need to convert to a stock form of ownership before converting to a national bank.

References

In this section, “NB” denotes that the referenced law, regulation, or issuance applies to national banks, and “FSA” denotes that the reference applies to federal savings associations.

Accounting

Comptroller’s Licensing Manual, [“Business Combinations”](#) (NB and FSA)

Articles of Association, Charters, and Bylaws

Law 12 USC 21 and 21a (NB), 1464 (FSA)

Regulation 12 CFR 5.21 and 5.22 (FSA)

Audits

Regulation 12 CFR 11, 30, and 363 (NB and FSA)

Comptroller’s Handbook, [“Internal and External Audits”](#) (NB and FSA)

OCC Bulletin 1999-37, [“Interagency Policy Statement on External Auditing Programs: External Audit”](#) (NB and FSA)

OCC Bulletin 2003-12, [“Interagency Policy Statement on Internal Audit and Internal Audit Outsourcing: Revised Guidance on Internal Audit and Its Outsourcing”](#) (NB and FSA)

Background Investigation

Regulation 12 CFR 5.24 (NB), 5.23 (FSA)

28 CFR 16.34 and 50.12 (NB and FSA)

Bank Secrecy Act

Regulation 12 CFR 21.21 (NB and FSA)

31 CFR 1010 and 1020 (NB and FSA)

Branches

Law 12 USC 36 (NB), 5451, 1464(m), and 1464(r) (FSA)

Regulation 12 CFR 5.30 (NB), 5.31 (FSA)

Capital

Law 12 USC 35, 36, 52, 56, and 60 (NB),
1464(s) and 1464(t) (FSA),
1831o (NB and FSA)

Regulation 12 CFR 3 and 6 (NB and FSA)

Community Reinvestment Act

Law 12 USC 2901–2908 (NB and FSA)

Regulation 12 CFR 25 (NB and FSA)

OCC Bulletin 2019-39, [“Community Reinvestment Act: Guidelines for Requesting Approval of a Strategic Plan”](#) (NB and FSA)

OCC Bulletin 2019-40, [“Community Reinvestment Act: Guidelines for Requesting Designation as a Wholesale, Limited Purpose, or Special Purpose Bank”](#) (NB and FSA)

Conversion

| | |
|------------|---|
| Law | 12 USC 35, 214, 214a, 214b, 214c, and 214d (NB), 1464(i) (FSA) |
| Regulation | 12 CFR 5.23 (FSA), 5.24 (NB) |

Corporate Powers and Investment Securities

| | |
|------------|--|
| Law | 12 USC 24, 35, and 83 (NB), 1464 and 1831e (FSA) |
| Regulation | 12 CFR 1 (NB), 160.30 (FSA) |

OCC, [“Comparison of the Powers of National Banks and Federal Savings Associations”](#)
(NB and FSA)

Decisions

| | |
|------------|--------------------------|
| Regulation | 12 CFR 5.13 (NB and FSA) |
|------------|--------------------------|

Depository Institution Management Interlocks Act

| | |
|------------|-------------------------------|
| Law | 12 USC 3201–3208 (NB and FSA) |
| Regulation | 12 CFR 26 (NB and FSA) |

Directors

| | |
|-----|-------------------|
| Law | 12 USC 71–76 (NB) |
|-----|-------------------|

Citizenship

| | |
|-----|----------------|
| Law | 12 USC 72 (NB) |
|-----|----------------|

Composition

| | |
|------------|---------------------|
| Law | 12 USC 71a (NB) |
| Regulation | 12 CFR 163.33 (FSA) |

Election

| | |
|------------|---|
| Law | 12 USC 61, 71, and 75 (NB) |
| Regulation | 12 CFR 5.21 and 5.22 (FSA), 7.2003 and 7.2006 (NB) |

Oath of

| | |
|------------|--------------------|
| Law | 12 USC 73 (NB) |
| Regulation | 12 CFR 7.2008 (NB) |

President as

| | |
|------------|--------------------|
| Law | 12 USC 76 (NB) |
| Regulation | 12 CFR 7.2012 (NB) |

Qualifications

| | |
|------------|--|
| Law | 12 USC 72 (NB) |
| Regulation | 12 CFR 7.2005 (NB), 163.33 (FSA), 5.20 (NB and FSA) |

Residency
Law 12 USC 72 (NB)

Responsibilities
Regulation 12 CFR 5.21 and 5.22 (FSA), 7.2010 (NB)

[Director's Book: Role of Directors for National Banks and Federal Savings Associations](#)
(NB and FSA)

Expedited Review
Regulation 12 CFR 5.23(d)(4) (FSA), 5.24(h) (NB),
5.3 and 5.13 (NB and FSA)

Factors Considered in Granting/Retention of Deposit Insurance
Law 12 USC 1814(c) (NB and FSA)

Authorizing Certificate
Law 12 USC 1815 and 1816 (NB and FSA)

Federal Reserve Membership
Law 12 USC 222 and 501a (NB)
Regulation 12 CFR 209 (NB)

Fidelity Insurance
Law 12 USC 1828(e) (NB and FSA)
Regulation 12 CFR 7.2013 (NB)

Fiduciary Power
Law 12 USC 92a (NB), 1464(n) (FSA)
Regulation 12 CFR 5.26 (NB and FSA)

Filing Fee
Regulation 12 CFR 5.5 and 8.6 (NB and FSA)

Investigation, Examination, and Required Information
Law 12 USC 481 (NB)
Regulation 12 CFR 5.7 and 8.6 (NB and FSA)

Investment in Bank Premises
Law 12 USC 29 and 371 d (NB)
Regulation 12 CFR 5.37 (NB and FSA), 7.1000 (NB)

Noncontrolling Investments
Regulation 12 CFR 5.36(e) (NB)

Organization Certificate

Authority to Transact Banking Business

Law 12 USC 26 and 27 (NB)

Capital Stock Certificates

Law 12 USC 52 (NB)

Filing/Preservation of

Law 12 USC 23 (NB)

Organization

Law 12 USC 22 (NB)

Organization of National Bank or Federal Savings Association

Law 12 USC 21, 21a, 22, 23, and 24 (NB), 1464 (FSA)

Regulation 12 CFR 5.20 (NB and FSA)

Place of Business

Law 12 USC 81 (NB)

Prohibited Lottery Activities

Law 12 USC 25a (NB), 1463 (FSA)

Public Notice

Regulation 12 CFR 5.8 (NB and FSA)

Security Devices and Procedures

Law 12 USC 1882 (NB and FSA)

Regulation 12 CFR 21 (NB), 168 (FSA)

Shareholders' List

Law 12 USC 62 (NB)

State Banks

Law 12 USC 35, 214–214d (NB)

Subsidiaries and Equities

Agricultural Credit Corporation

Law 12 USC 24(Seventh) (NB)

Regulation 12 CFR 5.36(d)(1)

Bank Service Companies

Law 12 USC 1861–1867 (NB and FSA)

Regulation 12 CFR 5.35 (NB and FSA)

Financial Subsidiaries

Law 12 USC 24a (NB)
Regulation 12 CFR 5.39 (NB)

Operating Subsidiaries

Law 12 USC 24(Seventh) (NB), 1828(m) (FSA)
Regulation 12 CFR 5.34 (NB), 5.38 (FSA)

Other Equity Investments

Law 12 USC 24(Seventh) (NB), 1464 (FSA)
Regulation 12 CFR 5.36 (NB), 5.58 (FSA)

Service Corporations

Law 12 USC 1464(c)(4)(B) (FSA)
Regulation 12 CFR 5.59 (FSA)

Small Business Investment Companies

Law 15 USC 682(b) (NB), 1464(c)(4)(D) (FSA)
Regulation 12 CFR 7.1015 (NB)

Title Changes

Law 12 USC 22, 30, and 35 (NB), 1464 (FSA)
Regulation 12 CFR 5.20(f) and 5.42 (NB and FSA)

Table of Updates Since Publication

| Date of Last Publication: October 2019 | |
|--|--------------------|
| Reason | Affected pages |
| Regulatory and policy clarifications and corrections | Throughout booklet |